

THE DEVELOPMENT OF THE CO-OPERATIVE MOVEMENT

I N

V I C T O R I A

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COMMENTS ON SESSION 2 BY

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SESSION 2 - ISSUE

Can Co-operatives compete: The role of the Co-operative  
in the Economy.

Paper presented by Rob Carter,

Adviser to Minister of Housing, Administering the  
Co-operation Act

entitled:

Can Co-operatives compete? The role of common ownership  
organisations in the economy.

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I N T R O D U C T I O N

Addressing the advertised subject of this session requires a two-part treatment.

Can Co-operatives compete? I agree with Carter when he says Co-operatives can compete with slickly organised private profit motivated large corporations, not only compete but act as pace-setters. The operative word is "can" or "are able to" compete. I will return to the conditions which co-operatives must observe in order to change that operative word to "do" or "are competing".

The subject of this seminar is -

"Development of the Co-operative Movement in Victoria".

The Green Information Paper in the final paragraph of its introduction reads:

"There are at present 3,400 Co-operatives in Victoria with combined assets of \$6 billion and some 500,000 members".

This bold statement is indication in itself of the not insignificant Co-operative sector of our State economy. However, as we are concerned with the Co-operative movement as a whole, I think it is vital to this meeting and for a true understanding of the relative sections of Co-operative endeavour that these statistics are put into perspective.

Page 58 of the Information Paper lists assets of -

Credit Unions	824 million
Co-operative Housing Societies	469
Permanent Building Societies	3,000
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	4,293
Other Co-operatives under Co-operation Act	124
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	4,417 million
leaving balance of Co-operative companies and Industrial and Prov. Societies	1,600 million assets in
	<hr/>
	<u>6,000</u> million

We know that assets in I. & P. Societies are small so this leaves at least \$1 billion assets for Co-operatives operating under the Companies Act, which are, in fact, Agricultural Co-operatives formed before 1953 which elected not to transfer to the Co-operation Act.

Of the \$4.3 billion assets owned by the Housing, Building and Credit Societies, \$3.3 billion represent loans to members.

The Australian Bureau of Statistics at June 1984 record loans to members by -

Credit Unions totalled		\$623 m.
Co-operative	"	\$455 m.
Housing Societies		
Building Socs.	"	\$2,200 m.
		<hr/>
		<u>\$3,278 m.</u>

leaving net other assets  
of these three groups of \$1 billion

Compare this with the \$1 billion assets of  
Agricultural Co-operatives, \$.124 b. Trading,  
Producer and Community Societies, and you have a  
picture of the relative strengths of sections of the  
Co-operative Movement in Victoria.

#### D E V E L O P M E N T

The traditional development of Co-operatives in Australia started in the agricultural sector in marketing and processing of producers' crops. There has been and still is, sadly, too little development in the area of formal co-operation in farm production.

With the development of mining and large migrant intake from Europe in the late 19th century, with concentration of urban style population, consumer co-operation developed.

Following the second World War, consumers recognised the value of pooling savings to enable better borrowing terms to be arranged on a co-operative basis and so began credit unions in this country, although they had operated in Europe for the previous 100 years.

Today, there is still a strong role for agricultural co-operatives to play.

In Victoria, and coincidentally Australia wide, 66% of the Dairy Industry is organised co-operatively - successfully competing against such multi nationals as Nestles, Unigate, Kraft.

In this State 100% of the fertilizer industry is in Co-operative hands. Some years ago the Co-operative acquired the fertilizer operations of the multi national I.C.I. as evidence of ability to compete.

In Australia 98% of the Rice industry, production, processing and marketing is organised co-operatively, capturing export markets in many traditional rice producing countries as evidence of ability to compete.

Half the Australian sugar processing industry is also organised co-operatively in Northern N.S.W. and Queensland.

Co-operatives range from large multi million dollar turnover business, such as Westralian Farmers' Co-operative in Western Australia, which last year conducted business worth \$700 million, to small community co-operatives. Both have social as well as economic objectives. Both large and small and all between, benefit their communities, their States and Australia by retaining profits where they are made, by the equitable distribution of any profit and democratic process of policy development.

Today there is still a strong role for agricultural co-operatives to play. There is also a very strong case for reform of the rural credit system in this country to enable producers to own and operate their own

Co-operative Farm Credit System as carried on in many other countries - where the high commercial charges paid by producers on borrowed funds goes back into the user owned financial institution.

The fierce competition in the supermarket food business has reduced the need for consumer co-operative food stores. The low margins and the high operating costs are a disincentive to Co-operative competition in this field. I purposely said "reduced" and not "eliminated". There is a recognised need in low income areas for some form of low cost co-operative food buying service and a study is currently under way into the viability of this type of development.

Industrial common ownership and conversion of existing businesses to the Co-operative or even quasi co-operative structure present a wide range of opportunities for co-operatives to compete in industry. Cases to quote as examples of this successful development and competition in this State are Fletcher Jones and Staff operating on these lines since 1947 and Modern Maid and Staff.

R E Q U I R E M E N T S

The conditions, to which I referred at the outset, which co-operatives and/or potential co-operators must accept if their co-operative business is to compete and flourish include -

Development and application of management skills including entrepreneurial, adequate funding, financial controls, marketing, product knowledge, people management.

Ongoing education process of understanding of basic philosophies of Co-operation and their application to business. Without this understanding, by all personnel, the essential differences between Co-operatives and their private profit motivated competitors will not be understood or promoted to provide the necessary competitive edge.

Community and member relations programme in the structures, operations and policies of their co-operative to ensure the democratic process and two way flow of information from grass roots members to decision making representatives and vice versa.



### CO-OPERATIVE EDUCATION

Co-operative education is required now for existing members, staff, directors of Co-operatives. Equally important is the immediate need for inclusion of the subject of co-operation in school curricula. Students should be encouraged to form their own Co-operatives in school to cope with such revenue producing services as school canteen, window cleaning, bicycle repairs, second-hand books etc. etc. They should be assisted by staff experienced in the correct structure and operation of co-operatives and have this practical experience related to classroom studies in commerce, economics, applying co-operative business learning to performance.

This system would produce school leavers with a real knowledge of the Co-operative alternative, an understanding of the responsibilities of Co-operative membership and benefits, economic and social, accruable from such structure.

### ROLE OF CO-OPERATIVES IN THE ECONOMY

A few years ago, I was privileged to attend a Co-operative conference in Paris at which a principal speaker was the President of the French Republic.

His remarks included the following statement:

"The Co-operative system demands of its members the willingness to act by themselves for themselves. It takes for granted an enterprising spirit. Co-operative enterprises usually born of local initiatives constitute efficient centres of resistance against the exodus of workers and the devitalisation of rural areas. As they are neither branches nor subsidiaries of national or multi-national groups, they also have genuine autonomy of management. The co-operative system is thus the opposite of centralisation and bureaucracy".

Co-operatives are self help organisations based firmly on the fundamental values of -

Equity  
Equality  
Mutuality

Their benefits belong to those who set them up for their own use and in proportion to that use. Control rests with those who took the risk in setting it up i.e. the participating active members. Despite the differing objectives of the different types of Co-operatives and

the different factors of production or service over which control is sought, what Co-operatives have in common is that they are neither capitalist or socialist. They are not social welfare agencies nor profit hungry for the greedy investor.

Rather they are a balance wheel between the public (government) sector and the private profit motivated sector.

They are as strong as their members and the support services which an informed membership can create.

Where members, communities and governments are correctly informed and are understanding of the true nature of co-operatives, the prospect for future development is almost limitless. Without such real knowledge and its correct application the prospect for sound development of a real Co-operative movement is, to say the least, uncertain.

FINANCIAL CO-OPERATIVES ASSETS:

(AUSTRALIA WIDE)

Credit Unions	\$3.6 Billion
Building Societies	<u>\$15.4</u> Billion
	<u>\$19.0</u> Billion
National Bank	\$19 Billion
ANZ	\$20 Billion

IN THE 1970's

Credit Societies Assets Increased By	500%
Building Societies Assets Increased By	800%
Trading Banks Assets Increased By	100%

Have Competed Well, Forced Banks to Humanise Services

Now with Deregulation of Many Controls

Banks Offering Interest on Current A/c.  
and Continue to have Advantage of -  
    Issue of Cheques  
    Access to Clearing System